Comments on Stevens' Bill

- Stevens' plan is focused on reducing costs.

  Example:

Estimated cost to government	= 24% (includes social security)
Cost of current CSRS	= 27%
Cost of current CIARDS	= 47%
Aggregate cost of CIARDS/CSRS	= 40%

- Defined benefit provision (accrual rate of .85%) is less than half that of current CSRS and CIARDS and does not pay full benfits until age 62 verus age 50 for CIARDS and age 55 for CSRS.

Example:

Assume no voluntary contributions from employee.

GS-13 employee age 55 with 30 years of service would receive about $9,029 from Stevens defined benefit at age 55 plus social security at age 62.

Under current CSRS provisions employee would receive $23,159 at age 55.

- This places heavy reliance on employee to build up annuity through voluntary contributions.

- Too heavy emphasis on voluntary defined contribution provisions - potential for lower graded employees to opt not to participate.

  According to Hustead, insufficient annuity derived from defined contribution programs to support early retirement, i.e. age 50 under CIARDS and age 55 under CSRS.

  Defined contribution plans encourage employees to stay longer to achieve larger benefits needed to sustain retirement.

  Conversely, portability features (social security and defined contribution portion) encourage turnover of younger mid-level employees.

<u>Assessment</u>

Stevens' plan incompatible with agency needs and objectives for reasons cited above.

- Early retirement would disappear.

- Maintenance of effective work force would be hampered by:

  Increased turnover of younger, marketable employees.

Fewer voluntary retirements at earlier ages.

- DCI management flexibility severely hampered. Could not maintain young and vigorous concept without forcing employees to separate earlier than when annuities are adequate to support retirement.